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FCC MAIL ROOM

6/12/95


William F. Canton
Acting Secretary,
Federal Communications Commission
1919 M Street
Washington D.C. 20554

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RE: CC Docket No. 94-54

Dear Mr. Canton:

Enclosed please find an original and ten copies of of the
comments of Cellnet of Ohio, Inc. in the above captioned
case. Your prompt attention in the filing of these documents
will be greatly appreciated.



Michael Tricarichi, Pres.
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington D.C.

FCC MAIL ROOM

In the matter of)
)
Interconnection and Resale) CC Docket no. 94-54
Obligations pertaining to)
Commercial Mobile Radio Services)

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SECOND NOTICE OF PROPOSED RULEMAKING
COMMENTS OF CELLNET OF OHIO, INC.

INTRODUCTION

1. Cellnet of Ohio, Inc. is a CMRS reseller serving the Ohio markets of Cleveland, Akron, Canton, Mansfield, Columbus Dayton and Cincinnati. Cellnet respectfully submits its comments in response to the Commission's request for comments in its Second Notice of Proposed Rulemaking adopted April 5, 1995.

2. We will limit our comments to the areas of Roaming, CMRS resale obligations, and Phone Number Transferability, and will defer to the comments of the National Wireless Resellers Association (NWRA, formerly the National Cellular Resellers Association, NCRA) regarding the issues of CMRS to CMRS interconnection and the Reseller Switch Proposal.

DISCUSSION

I. ROAMING

3. We disagree with the Commission's conclusion that "no regulatory action (concerning roaming) is required at this time." Perhaps the most misunderstood and most complained-of aspect of cellular service in the minds of end-users are the rates charged for roaming. We share in the frustration of our end-users, because, to date, no carrier with which we do business has recognized that their resale obligation includes the resale of roaming services.

4. For the most part, resellers are charged the rates contained in the intercarrier roaming agreements between the resellers home carrier and the foreign carrier supplying the

service while the reseller's customer is roaming. These "Intercarrier Roaming Rates" are far from cost based. In fact, they are generally higher than the highest retail rates those foreign carriers charge their own customers for cellular service.

5. What is more disturbing is what seems to be a national trend on the part of facilities-based CMRS providers to rerate these high intercarrier rates down for their own end-user customers, but to continue to charge resellers the higher, intercarrier rates.

6. One cannot help but question the reasons for these high intercarrier rates. With the advent of advances in inter-switch technology such as IS-41, and Signalling System 7, it would seem that the need for complicated and costly subscriber verification schemes has been replaced by more efficient, and thus less costly automated processes. Yet the rates contained in these intercarrier agreements have not decreased.

7. It is only when these rates are viewed with an eye toward competition that the reasons become clear. Most roaming agreements are reciprocal, i.e. the rates Carrier "A" charges Carrier "B" for Carrier "B"'s customers roaming in its market are the same as those charged by Carrier "B" to Carrier "A" when Carrier "A"'s customers roam in Carrier "B"'s market.

8. This type of arrangement is, in effect, a barter agreement. Since the rates each carrier charges the other are the same, the high costs incurred by the roamer's home carrier is offset by the high revenue that is received from the reciprocal sale of roamer service to the other carrier. For example; Carrier "A" charges Carrier "B" \$1.00/minute for roaming service when carrier "A"'s cost for such service is \$.05/minute. Likewise, Carrier "B" charges Carrier "A" the same \$1.00/minute, and its cost is \$.06/minute. If the number of minutes each carrier purchases from the other is the same, say 10,000 minutes, each carrier would owe the other \$10,000, and the net settlement would be zero. What would be left is the actual cost each carrier incurs for the airtime (5 and 6 cents respectively). The net effect of this type of arrangement is that given the above example, each carrier purchases service from the other at its own net cost.

9. Carrier "A" may decide to rerate the intercarrier cost it incurs downward, to say \$.30/minute to its own end-user

customers. In that event, given the above example, Carrier "A"'s actual cost for that airtime is \$500, and thus carrier "A" makes a profit of \$2500. (\$.25/minute x 10,000 minutes)

10. In contrast, the reseller has no airtime to trade, so it must purchase its roaming service at the high intercarrier rate. To effectively compete for customers with Carrier "A", the reseller must match the price Carrier "A" charges its end-user customers for the same roaming service. Thus, the reseller, rather than realizing a profit, realizes a \$.70/minute loss. The effect on competition is obvious, yet it appears that no discrimination is taking place because the facilities based carriers are charging the resellers the same intercarrier rates for roaming that they charge their facilities-based counterparts.

11. When it comes to Roaming rates, this situation is more the rule than the exception, and as long as it is allowed to continue, there will be no effective competition for roaming service. This will have a negative impact, not only on non-facilities based resellers, but on the entire PCS industry as well. Cellnet believes that the PCS operators ability to resell Cellular Roaming service is crucial to their short-term ability to compete for customers. So even if the Commission should require Cellular operators to resell roaming service to PCS licensees during the startup period, these PCS licensees will be subject to the same anti-competitive practices.

12. Cellnet strongly urges the Commission to state for the record that its "best rates" requirement for resellers include either the roaming rates facilities-based CMRS providers charge their best end-user customers, or the intercarrier roaming rates, WHICHEVER IS LOWER.

13. In addition, Cellnet believes that Resellers should have the ability to resell roaming service to roamers entering the resellers' service areas. This may be accomplished in a number of ways. For example, many cellular systems have automatic advisory announcements that are triggered when a roamer enters the carrier's service area. With this type of system, the cellular switch places a call to the roamer's phone and plays an automated message advising the roamer for example, of the method for contacting customer service. This same message could contain the contact numbers for the resellers serving the same area. This would provide the roamer with an alternative method of purchasing cellular service.

14. An even simpler method would be to allow resellers to pre-arrange to have their accounts billed for the roaming incurred by certain NPA-NXX's. This would allow resellers to market service to roamers on a national basis, so long as those customers are roaming in a market with which the reseller has a billing agreement. This would require very little in the way of technical modifications, as this arrangement is primarily a billing function, not a switching function.

15. In summary, We believe that if roaming rates are ever going to come down, competition must force them down, as the advances in technology alone over the past ten years, without competition, have had little effect on roaming rates.

II. RESALE OBLIGATIONS

16. Cellnet agrees with the Commission's tentative conclusion that the resale requirement should be extended to most CMRS providers, and in fact, would like to see the requirement extended to all CMRS providers. The creation of one exemption for a particular CMRS service invites the creation of more exemptions for more CMRS Services. The Commentors who argue that an exemption is warranted for their particular service have all failed to show that their permitting of resale would be technically unfeasible or not economically reasonable.

17. Cellnet suggests that there is virtually no set of circumstances where resale would not be technically feasible, because resale is a billing function, not a technical function. Since the billing systems for many new CMRS services are only now being designed, the inclusion of reseller billing in such systems could be done at little or no incremental cost. As for other existing technology, such as SMR, which was only recently designated as CMRS, even if those billing systems were not designed to accommodate resellers, resellers could be billed as end users, or the resellers could pay the reasonable costs to modify those systems.

18. With regard to the "economic reasonableness" of resale, it is for the reseller, not the CMRS provider to decide whether the resale of a particular CMRS service is economically viable or not. Further, as discussed above, if the reseller is willing to pay the reasonable cost to modify a CMRS billing system, there is no economic reason to

conclude that resale of a CMRS service is not feasible.

19. As mentioned previously, Cellnet strongly supports the ability of new CMRS entrants to resell existing cellular service to its customers during its initial build-out phase. Resellers such as Cellnet have a strong interest in insuring the success of new entrants such as PCS providers, because we believe more competition will drive down the rates resellers are charged for service. But as this Commission has stated on more than one occasion, the success of new entrants such as PCS providers is, by no means, assured. PCS will be competing against an entrenched cellular industry with a ten year headstart. PCS operators will have paid tens to hundreds of millions of dollars for their licenses, before the first screw is turned on the installation of their infrastructure. While today cellular licenses are bought and sold for larger sums, it should be remembered that the original cellular licensees, unlike their PCS counterparts, paid nothing for their cellular licenses. We believe the ability of PCS providers to resell cellular service is crucial to their initial success.

III. NUMBER TRANSFERABILITY

20. In light of the above, Resellers such as Cellnet can only benefit from the increased competition if they have easy access to these new providers. That is why we believe that the ability of a reseller to easily transfer its NPA-NXXs between CMRS providers is vital. This will give resellers significant bargaining leverage with its current CMRS service suppliers. It will also benefit the end user as he will enjoy more competitive rates while being spared the inconvenience of changing his number.

21. 800 number portability has had a significant impact on the Long Distance Industry by freeing customers from the chains of the long distance providers who owned the numbers. A phone number transferability scheme in the area of CMRS will likewise have a significant positive impact on CMRS resellers.

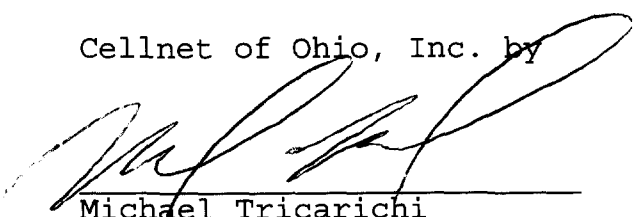
IV. CONCLUSION

22. In summary, Cellnet believes that the Commission should take a more proactive role in the regulation of roaming, as we do not believe that the competitive situation there will improve in the foreseeable future. While PCS providers may provide additional competition in their respective markets,

it will be years before their systems will be built out sufficiently to promote competition for nationwide roaming service. We also believe that there is no set of circumstances we could envision which would prevent a CMRS carrier from making its service available for resale, and thus, the resale requirement should be imposed on all CMRS providers, without exception. Finally, we encourage the Commission to make phone number transferability part of its CMRS resale policy, as it will promote competition.

Respectfully submitted:

Cellnet of Ohio, Inc. by



Michael Tricarichi